

## Message Text

CONFIDENTIAL

PAGE 01 MEXICO 02960 180002Z  
ACTION ARA-14

INFO OCT-01 ISO-00 VO-05 INSE-00 HA-05 CIAE-00 DODE-00  
PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01  
SP-02 SS-15 USIA-06 AID-05 COME-00 EB-08 FRB-03  
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 AGRE-00 IO-13  
/113 W

-----082250 180829Z /16

R 172351Z FEB 78  
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TO SECSTATE WASHDC 8416  
ALL USCONS MEXICO POUCH  
DEPT OF TREASURY

C O N F I D E N T I A L MEXICO 02960

E. O. 11652: GDS  
TAGS: PFOR, PGOV, MX  
SUBJECT: GOM PLANS DEVELOPMENT OF AGROINDUSTRIES

1. ON FEBRUARY 11 PRESIDENT LOPEZ PORTILLO ANNOUNCED THE CREATION OF A NEW GOVERNMENT PROGRAM TO PROMOTE THE DEVELOPMENT OF AGROINDUSTRIES IN THE COUNTRYSIDE. NO DETAILS AS TO THE CHARACTER OR NATURE OF THE NEW PROGRAM WERE GIVEN. LOPEZ PORTILLO SAID THAT THE NEW GOVERNMENT INITIATIVE WOULD FILL THE GAP LEFT BY THE LIQUIDATION OF FONAFE (FONDO NACIONAL DE FOMENTO EJIDAL), THE NOTORIOUSLY CORRUPT GOVERNMENT AGENCY RESPONSIBLE FOR THE DEVELOPMENT OF AGROINDUSTRIES UNDER THE ECHEVERRIA ADMINISTRATION.

2. TO LEARN MORE ABOUT THE NEW GOM INITIATIVE, EMBOFFS MET ON FEBRUARY 14 WITH MANUEL GARZA GONZALEZ, UNDER-SECRETARY FOR ORGANIZATION AND AGRARIAN DEVELOPMENT OF THE AGRARIAN REFORM SECRETARIAT. GARZA SAID AN INITIAL  
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PAGE 02 MEXICO 02960 180002Z

ORGANIZATIONAL MEETING HAD BEEN HELD BY THE PRESIDENT LAST WEEK TO DISCUSS DEVELOPMENT OF THE NEW PROGRAM. PRESENT AT THE MEETING WERE CABINET LEVEL OFFICIALS AND REPRESENTATIVES FROM THE SECRETARIAT OF AGRARIAN REFORM, SECRETARIAT OF COMMERCE, SECRETARIAT OF AGRICULTURE AND WATER RESOURCES, SECRETARIAT OF BUDGET AND PLANNING, AND BANRURAL (RURAL DEVELOPMENT BANK). GARZA SAID BY EARLY

NEXT MONTH PLANS FOR THE NEW INTER-AGENCY PROGRAM SHOULD BE COMPLETE. HE INDICATED THAT THE AGRARIAN REFORM SECRETARIAT WOULD HAVE PRIMARY RESPONSIBILITY FOR DIRECTION AND COORDINATION OF THE PROGRAM.

3. ALTHOUGH THE GOM HAS MADE PLANS TO FUND THE NEW PROGRAM, GARZA SAID THAT THE GOM WAS COUNTING AS WELL ON USG FINANCIAL SUPPORT. GARZA REFERRED BOTH TO THE JOINT DEVELOPMENT FUND PROPOSED BY SENATOR BENTSEN AND TO REMARKS MADE BY VICE PRESIDENT MONDALE IN MEXICO LAST MONTH ABOUT THE POSSIBILITY OF INCREASED U.S. SUPPORT FOR IFI LENDING TO MEXICO, AS PART OF PRESIDENT CARTER'S PROGRAM TO REDUCE THE FLOW OF UNDOCUMENTED WORKERS TO THE U. S.

4. IN TERMS OF CURRENT INITIATIVES, GARZA SAID THE NEW AGROINDUSTRY PROGRAM DOES NOT TARGET ITS EFFORTS SPECIFICALLY ON THOSE STATES THAT ARE THE PRINCIPAL SOURCES OF ILLEGAL IMMIGRATION TO THE U. S. GARZA REFERRED TO PLANNED PROJECTS IN THREE AREAS: THE SOUTH OF MEXICO (TABASCO, CHIAPAS, AND YUCATAN STATES); MICHOACAN (A PRINCIPAL SOURCE OF ILLEGAL IMMIGRATION); AND THE NORTHERN BORDER STATES.

5. GARZA SAID THERE ARE SEVERAL GOOD PILOT PROJECTS ALREADY IN OPERATION--ONE IN NAYARIT--BUT DID NOT COMMENT AS TO WHEN THE PROPOSED PROGRAM WOULD BE FULLY OPERATIONAL.  
CONFIDENTIAL

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PAGE 03 MEXICO 02960 180002Z

GARZA SEEMED TO DEFINE AGROINDUSTRIES AS ANY TYPE OF EMPLOYMENT-CREATING PROJECT IN RURAL AREAS--AND REFLECTED IN HIS COMMENTS THE GOM DESIRE TO CREATE PRODUCTIVE, NOT JUST LABOR INTENSIVE INDUSTRIES. HE MENTIONED THE EXPANSION OF IN-BOND INDUSTRIES AS ONE PROGRAM THIS PROJECT MIGHT PROMOTE. GARZA ALSO SAID THAT THE GOM WOULD WELCOME U. S. PRIVATE INVESTMENT IN THE AGRICULTURAL SECTOR, INSOFAR AS IT CONFORMED TO PRESENT MEXICAN LAWS REGULATING FOREIGN INVESTMENT. AT THE SAME TIME HE INDICATED THAT NEWS REPORTS OF U. S. PRIVATE INVESTMENT IN THE "EJIDO" AGRICULTURE OF BAJA CALIFORNIA WERE PREMATURE, AS THE INVESTMENT WAS STILL ONLY IN THE CONCEPTUAL STAGE.

6. COMMENT: THIS IS THE FIRST INDICATION THAT THE EMBASSY HAS HAD FROM WELL-PLACED CONTACTS THAT THE GOM IS TAKING SERIOUSLY NEWS REPORTS OF PROPOSALS FOR U. S. FINANCIAL ASSISTANCE TO MEXICO, AS A POSSIBLE PART OF NEW USG INITIATIVES TO CURB ILLEGAL IMMIGRATION TO THE U. S. INDEED, GARZA SPOKE AS IF THE PLANNED AGROINDUSTRIES PROGRAM WHILE NECESSARY FOR MEXICAN DEVELOPMENT, WAS ALSO BEING DESIGNED AS A POSSIBLE RECEPTACLE FOR SUCH USG FUNDING THROUGH INTERNATIONAL LENDING AGENCIES OR OTHERWISE

SHOULD IT BE APPROVED. GARZA TOLD EMBOFFS THAT HE IS A  
CLOSE PERSONAL FRIEND AND HUNTING COMPANION OF SENATOR  
BBKMHTN. EMBASSY SUSPECTS THAT HIS KNOWLEDGE OF PROPOSALS  
FOR US-MEX JOINT DEVELOPMENT FUND MAY COME FROM THIS  
SOURCE. EMBASSY NOTES THAT MEXICO CITY PRESS REPORTED ON  
FEBRUARY 11 THAT CONGRESSMEN HENRY B. GONZALEZ OF TEXAS  
HAS PROPOSED THE CREATION OF A NEW BANK TO HOUSE A JOINT  
DEVELOPMENT FUND. WE WOULD APPRECIATE ANY DETAILS ON  
THESE PROPOSALS THAT CAN BE PROVIDED BY THE DEPARTMENT.  
THOMPSON

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Draft Date:** 17 feb 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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